



Retail boards in the COVID-19 crisis: Key considerations to build resilience

The retail industry's ongoing transformation and new challenges presented by the COVID-19 crisis highlight the need for US boards and CEOs to examine how they communicate to stakeholders, plan, and assess leadership in an emergency.

The evolving COVID-19 crisis has created an unprecedented need for all leaders to balance the demand for agility in the present and strategic planning for the future. For some industries, such as retail, the crisis has also magnified preexisting disruptions and other challenges, adding to the burdens facing leaders.

For years the retail industry has been disrupted by digital platforms and e-commerce, shifting consumer demands, and an influx of competition, among other dynamics. While retail sales in the United States have continued to grow at an average of 4% annually since 2010, 9,302 US stores closed in 2019, a 59% increase from the previous year.¹ A significant portion of these closures were made by a group of larger retailers. With a vast number of consumers around the world now staying home and supply chains being disrupted, the pandemic has put the industry into stark relief, revealing just how much better positioned some retailers are than others to adapt and endure.

Nimble adapting operations and protecting the health and safety of employees have rightly been the first and primary focus of boards and CEOs. However, senior leaders should also be addressing a set of immediate considerations to help ensure the health of their businesses in the short and long terms: implementing an internal and external communications plan that leads with humanity, care, and clarity and developing a CEO succession plan with multiple candidates to cover an array of leadership-change scenarios, given the current degree of uncertainty. Boards will also benefit from evaluating their own skill sets, leaders, generational diversity, and expertise to ensure that they can best support their companies now and in the near future.

¹ Nathaniel Meyersohn, "More than 9,300 stores closed in 2019," CNN Business, December 19, 2019, [cnn.com](https://www.cnn.com).

Communications

With the pandemic, and a range of responses from different countries and levels of government, moving at an accelerated speed, it's important that employees, customers, and external stakeholders know where the business stands and where it's headed. Communications should be thoughtful and measured, taking into account the extraordinary disruption people are facing. Leaders should be asking the following questions:

- Is the communications plan well rounded, and will it reach all of the appropriate stakeholders? Are there new stakeholders who the company needs to reach right now or stakeholders the company needs to reach in a new way? How effectively have the CEO and other leaders communicated the unique considerations and issues of those various groups?
- Are communications focused chiefly on customers and employees rather than products? Have clear messages been sent highlighting the measures the organization is taking to prioritize the health and safety of employees and customers as well as employees' financial security?
- How visible has the company been during the crisis? Has it been visible in a positive, or negative, context? Is it managing visibility appropriately as the situation evolves?
- Should board members take a more proactive approach in leading crisis communications?

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Emergency succession planning

Although many boards have succession plans for their CEOs, during a crisis it's important to ensure that existing plans are still viable, given the additional business and personal disruptions.² If the board doesn't have a succession plan, it's of paramount importance for the board to quickly identify an interim solution and emergency successor.³ Boards must lead in both managing internal relationships as the process unfolds and ensuring the identification of multiple candidates who could step in amid different, often unexpected, scenarios.

Finding CEO candidates who can lead through disruption and transformation can be relatively challenging for retail boards—particularly for those of companies in the earlier stages of an omnichannel evolution—because of smaller talent pools and increasing competition for agile leaders with proven retail success. Boards should be asking the following questions:

- Does the company have quick-response succession-planning policies and procedures in place to pivot if the CEO has to step down or take leave quickly for any reason?
- Do one or two board members have the ability to step into the CEO role if necessary?
- If candidates have been identified, how effectively have options and considerations been communicated to them and to the senior leadership team?

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² For more on the board's role in CEO succession planning, see Bonnie Gwin and Jeff Sanders, "The clock is ticking on CEO succession: Is your board ready?," Heidrick & Struggles, March 19, 2020, heidrick.com.

³ For more on emergency CEO succession planning, see Lee Hanson and John S. Wood, "Considerations for emergency CEO successions," Heidrick & Struggles, April 13, 2020, heidrick.com.

Board expertise

As retail boards consider what business will look like after the economy settles down, it's likely that many will need directors with deep expertise in restructuring, acquisitions, and digital platforms.⁴ Boards should be asking the following questions:

- Given that many retailers were already in significant trouble, and some have had to furlough much of their staff during the crisis, what will restructuring look like for the company, and what specific expertise will it need?
- Does the board have enough banking expertise and knowledge about how to access the full range of sources of funding?
- Does the board have an appropriate generational mix for ensuring a diverse array of perspectives and experience?
- Does the board have the capability to identify and evaluate potential acquisition opportunities for innovative intellectual property or new services?

While the full extent of the economic impact of the pandemic is still unknown, boards and CEOs can take decisive action now to help minimize harm and ensure that strong company leadership is intact. Asking the questions presented here can help retail boards lead effectively throughout the crisis and grapple with issues that are transforming, and will continue to transform, the retail landscape.



⁴ In fact, our research on recently appointed non-executive directors to Fortune 500 retail boards shows a trend toward strong digital experience, with more than half of the appointed leaders having this expertise. Research forthcoming in Heidrick & Struggles' *Board Monitor US 2020* report.

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